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IN THE

Supreme Court of the United States

October Term, 1949

No. 486

ROBERTSON ROCK BIT COMPANY, INC., INDUSTRIAL MANUFACTURING & TOOL CO., and COLIN T. ROBERTSON,

Petitioners,

v.

HUGHES TOOL COMPANY,

Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT AND BRIEF IN SUPPORT THEREOF.

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Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT AND BRIEF IN SUPPORT THEREOF.

To the Honorable, the Chief Justice and Associate Justices of the Supreme Court of the United States:

Your petitioners, Robertson Rock Bit Company, Inc., Industrial Manufacturing & Tool Co., and Colin T. Robertson respectfully pray for a writ of certiorari to the United States Court of Appeals for the Fifth Circuit to review the judgment of that Court entered August 13, 1949, as amended September 27, 1949, affirming in part the judgment of the District Court of the United States for the Northern District of Texas (Judge ATWELL).

A transcript of the record of the case, including the proceedings in said Court of Appeals, is furnished herewith in accordance with the rules of this Court.

Summary and Short Statement of the Subject Matter Involved.

1. The Court below, Judge SIBLEY dissenting "strongly" in part, affirmed a judgment of the District Court for the Northern District of Texas (Judge ATWELL), (1) holding four Hughes Tool patents for drilling bits valid and infringed by the petitioners (defendants in the District Court), and (2) also holding the petitioners guilty of converting Hughes bits. An injunction against infringing and against converting was granted.

2. Later the Court entered an amendment to its judgment, reversing the District Court as to one of the four patents, on the ground that it had expired during the appeal (Vol. I, R. 351).

3. Hughes Tool Company for 40 years has enjoyed a virtual monopoly in rotary drilling bits used in the drilling of oil wells. The basic patents held by it expired years ago, but the monopoly has been perpetuated by means of repatenting old subject matter and by means of pretenses of "leasing".

4. The Court below held that the pretended "leasing" arrangement, practiced by Hughes Tool Company to prevent repair of the cutting teeth on the bits and to force the purchase of unwanted new bits, was "practical, reasonable and completely fair".

5. The proof, however, showed convincingly that all the characteristics of a sale were present, and that the "lease" was no more than a shadow.

6. As for converting Hughes bits, the judgment of the Trial Court was utterly unwarranted, since there was no finding of fact bearing on conversion, no evidence of conversion, and as to the Robertson Company no charge of conversion in the complaint. Despite these fatal defects the Court of Appeals affirmed that part of the judgment.

Statement of Jurisdiction.

This Court has jurisdiction to review the judgment under 28 U. S. C. 1254 and 2101(c).

The judgment below was entered August 13, 1949 (Vol. I, R. 340), petition for rehearing denied September 22, 1949 (Vol. I, R. 349), and the judgment amended in an order entered September 27, 1949 (Vol. I, R. 349).

The Questions Presented.

The questions presented for review by this Court if the present petition is granted are:

1. Is it a defense to a suit for patent infringement that the owner of patents covering a combination of elements sells the patented device, receives the full purchase price, and later prevents purchasers from repairing one element of the patented combination by calling the sale a "lease", and also by claiming that repair constitutes infringement of the patents?

2. Are the three unexpired patents in suit valid, in view of the prior art?

3. May defendants be adjudged guilty of conversion where no finding of fact bearing on conversion was made by the Trial Court?

Reasons Relied on for Allowance of the Writ.

1. The decision below, on the issue of misuse and abuse of patents, is in conflict with applicable decisions of this Court.

2. The three unexpired patents in suit are void for want of invention. The decision below, in sustaining them, extends Hughes Tool's monopoly of drilling bits under patents that did not advance the art and that rely on subject matter identical with that of expired patents also owned by Hughes Tool.

3. On the issue of conversion, the Court below affirmed the judgment of the District Court, although there was no finding of fact that the petitioners had converted or threatened to convert. This was such a wide departure from the accepted and usual course of judicial proceedings as to call for exercise of this Court's power of supervision.

WHEREFORE your petitioners respectfully pray that a writ of certiorari issue out of and under the seal of this Court directed to the United States Court of Appeals for the Fifth Circuit, and that this Court review and correct the erroneous decision of that Court.

Respectfully submitted,

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Attorney for Petitioners.

ROBERT P. PATTERSON,
DARBY & DARBY,
HARVEY W. MORTIMER,
Of Counsel.

BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI.

Opinions of the Courts Below.

The opinion of the District Court (Judge ATWELL) is found at R. 297 and is reported at 80 F. Supp. 809.

The opinion of the Court of Appeals appears at Vol. I, R. 321; the amendment to the judgment, modifying the opinion, at Vol. I, R. 349; and the opinion is reported at 176 F. (2d) 783.

Statement of Jurisdiction.

This Court has jurisdiction to review the judgment below under the provisions of 28 U. S. C. 1254 and 2101(c).

Judgment below was entered August 13, 1949 (Vol. I, R. 340), petition for rehearing denied September 22, 1949 (Vol. I, R. 349), and the judgment amended in an order entered September 27, 1949 (Vol. I, R. 349).

Statement of the Case.

Hughes Tool Company manufactures 70% of the rotary bits used for drilling oil wells (R. 107). In 1947 it made and "leased" more than 290,000 bits (R. 164). It has over 200 men engaged exclusively in "superintending"—policing—its leasing system (R. 299).

The petitioners, Industrial Manufacturing & Tool Company and Robertson Rock Bit Company, are small companies organized by petitioner Robertson. During 1947 and 1948 they manufactured and sold about 450 bits. Robertson is also an independent drilling contractor (R. 165).

Hughes Tool Company sued the three petitioners for infringement of four patents for combinations in rotary bits used in drilling oil wells:

Fletcher	No. 1,856,627, issued May 3, 1932 (Vol. II, R. 321)
Scott & Garfield	No. 1,983,316, issued December 4, 1934 (Vol. II, R. 324)
Scott	No. 2,011,084, issued August 13, 1935 (Vol. II, R. 327)
Garfield & Scott	No. 2,030,442, issued February 11, 1936 (Vol. II, R. 330)

In a second count of the complaint (R. 5-6) Hughes Tool charged Industrial and Robertson with conversion. It did not charge the Robertson Company with conversion.

In the District Court Judge ATWELL held the four patents valid and infringed. His opinion (R. 297-300) is silent as to conversion, and he made no separate findings or conclusions; nevertheless, in the judgment he adjudged all three defendants guilty of conversion (R. 302).

At oral argument on the appeal the charge of infringement of the Fletcher patent was withdrawn (R. 336, Vol. I). That patent had expired while the appeal was pending.

The Court of Appeals, Judge SIBLEY "strongly" dissenting in part (R. 336, Vol. I), affirmed the District Court on the three unexpired patents (R. 340, Vol. I); but judgment was entered affirming on every point, including the expired patent (R. 340, Vol. I). A petition for rehearing was denied (Vol. I, R. 349). Later the Court entered an amend-

ment to its judgment, reversing the District Court as to the expired patent and ordering the complaint dismissed as to it (R. 349, Vol. I).

The Patents in Suit.

The three unexpired patents are on combinations in rotary drilling bits for use in drilling oil wells.

Scott & Garfield 1,983,316 (R. 324, Vol. II) represents repatenting of a three-cone bit with interfitting teeth, thus seeking to extend for nearly 11 years the monopoly Hughes Tool had enforced under claims 3 and 4 of Scott 1,480,014 (R. 575). (*Williams Iron Works* v. *Hughes Tool Co.*, 109 F. (2d) 500, 502, C. C. A. 10, 1940.)

The second patent held to be valid, Scott 2,011,084, is for a combination introducing rolling bearings into a drilling bit. The third, Garfield & Scott 2,030,442, is for a combination of bearing elements, precisely as shown in the first patent, Scott & Garfield 1,983,316. Judge SIBLEY in his dissenting opinion was of the view that there was no invention in these two patents. As to the last one, Garfield & Scott 2,030,442, it seemed "preposterous" to Judge SIBLEY to accord validity to it (R. 340, Vol. I).

Misuse of Patents.

After bits have been used in the field and the cutting teeth worn, it is practical for the driller to have them retipped by welding new metal tips on the cutting teeth and to make use of the retipped bits down to depths of 2,000 feet (R. 168-9, 172).

To put a stop to this practice Hughes Tool (which had admittedly sold bits until 1934) purported to "lease" them thereafter. The prices were not changed (R. 151-152).

The "lease" was evidenced by *very fine print* at the bottom of a "delivery report", reading (R. 477):

> "Hughes Roller Rock Bits and all Core Bit Heads are never sold but are leased. When the original cutter teeth and/or bearing have served their useful life, the user will surrender the bits to Hughes Tool Company upon request. In accepting delivery, the user agrees not to surrender any of the tools as mentioned above to other than a duly authorized representative of the Hughes Tool Company."

In practice, Hughes Tool sells the bits on purchase orders from local retailers (R. 162) and collects the purchase price. The local retailers in turn sell them to drillers, who pay the price in full to the retailers (R. 107). In other words, there is a sale by Hughes Tool to a retailer, followed by a sale by the retailer to the driller who uses the bit.

Under color of its "lease" and patents, Hughes Tool has used sequestration suits, infringement suits, and threats, to stamp out the retipping of bits and to force the return to it of good and useable bits, to be scrapped.

The Court of Appeals held, however, that the "leasing" method was "practical, reasonable and completely fair". It said that reclaimed bits were sent back to the Hughes laboratory, to be examined for possible defects. Hughes Tool acknowledged, however, in answer to an interrogatory, that relatively few used bits are ever sent to the laboratory (R. 152). The great majority are sold by Hughes Tool for scrap.

Specification of Errors.

The errors which petitioners will urge if the petition is granted are that the Court of Appeals for the Fifth Circuit erred:

1. In holding that Hughes Tool has not misused its patents.

2. In holding the three unexpired patents valid.

3. In holding the petitioners guilty of conversion.

Summary of Argument.

The argument will follow the reasons relied on for the allowance of the writ, as stated on page 4 hereof and in the index.

POINT I.

The decision below as to misuse and abuse of patents is in conflict with applicable decisions of this Court.

The proof shows an industrial featherbedding operation on the part of Hughes Tool by use of its patents and by pretended leasing of its patented devices. These measures have been resorted to so as to prevent the repair of good and useable bits in the field and to force their return to the owner of the patents to be sold for scrap (R. 189-192; PX4-10, R. 488-526; Interrogatories 80-81, R. 161, R. 115, 170). Customers must then "lease" new bits. As Hughes Tool controls the market on 70 percent of all new bits (R. 107), its interest in causing used bits to be scrapped rather than repaired is obvious.

Hughes Tool forces the return to it of every bit that has been put into the ground, in order to prevent the driller from sharpening the teeth by welding new tips on them, the way all heavy tools are sharpened (R. 181-182).

Down to 2,000 feet a retipped bit will serve as well as a new one (R. 169).

The means used by Hughes Tool are patent infringement suits, sequestration (replevin) suits, and agreements not to retip bits. The sequestration suits are brought under color of the "lease". However, the proof is conclusive that Hughes Tool sells its bits, in the same way that an automobile manufacturer sells automobiles, and does not lease them.

Hughes Tool's Bits Are Sold and Not Leased.

The Court below held that the lease was "practical, reasonable and completely fair". We submit, however, that in reality Hughes Tool sells its bits and does not lease them. The "lease" is a mere form, evidenced only by a clause in almost unreadable print at the bottom of Hughes Tool delivery reports (R. 477).

Hughes Tool appoints "supply houses" as its dealers. It does not make an agreement with these supply houses, save that in some cases a letter is written such as that printed at R. 162, which is "typical" (R. 162). The letter tells the dealer that Hughes Tool is "ready to honor your *purchase orders* for all tools of our manufacture on a dealer basis". Hughes Tool sells its bits to these supply houses and receives the full purchase price from them (R. 107).

The supply houses, which are mere retailers, sell the bits to drilling contractors and receive the full purchase price from them, payable in one lump sum (R. 107, 171).

Invoices from a supply house to drilling contractors are in evidence (R. 475-483). They are a printed form, and they bear the legend *"Sold To"*, and include a rigid sales contract (R. 476). (These invoices also show payment of a Wyoming sales tax.) When the supply house is paid by the drilling contractor, the transaction is complete. No more money is ever asked for or expected (R. 107, 171-172). Interrogatories 16, 17, 19, 20, 38, 72, 105 and 107 (R. 151-152, 161, 163, 171-172) are conclusive that the course of business covers a genuine sale. The "lease" is a bare pretense, fashioned to control the conduct of users of the bits, and the Court below should have so held.

> *Straus* v. *Victor Talking Machine Co.*, 243 U. S. 490.

The result below is, in principle, contrary to *United States* v. *Masonite Corporation*, 316 U. S. 265, where this Court penetrated an "agency" disguise and struck down restraints that exceeded the patent privilege. The Court said (pp. 277-278):

> "There are strict limitations on the power of the patentee to attach conditions to the use of the patented article. As Chief Justice Taney said in *Bloomer* v. *McQuewan*, 14 How. 539, 549, when the patented product 'passes to the hands of the purchaser, it is no longer within the limits of the monopoly. It passes outside of it, and is no longer under the protection of the act of Congress.' And see *Adams* v. *Burke*, 17 Wall. 453; *Hobbie* v. *Jennison*, 149 U. S. 355. *In applying that rule, this Court has quite consistently refused to allow the form into which the parties chose to cast the transaction to govern.* The test has been whether or not there has been such a disposition of the article that it may fairly be said that the patentee has received his reward for the use of the article." (Emphasis ours.)

Sequestration Proceedings.

In the single County of Wichita, Texas, in the single year 1947, Hughes Tool sequestered (replevied) $9,850 worth of bits, by its own valuation, to be sold as scrap at 1.8 cents a pound, about 1/30th of their value at the time of sequestration (R. 189-192; PX4-10, R. 488-526; Interrogatories 80-81, R. 161; R. 115, 170).

These were bits that did not belong to it, but were taken in sequestration under color of the "lease", in order to prevent re-tipping and continued use by drillers.

Patent Infringement Suits.

Hughes Tool has used its patents for a combination of elements to prevent repair of one element of the patented combination. That the patents in suit are for a combination of elements was admitted in answer to Interrogatory 5 (R. 151). Each of these patents, as well as earlier patents now expired, has been used to support infringement suits brought by Hughes Tool against retippers (welders or blacksmiths who sharpen worn teeth by adding unpatented metal to the tips of the teeth). The following reported cases are indicative of the extent of this practice:

Southwestern Tool Co., et al. v. *Hughes Tool Co.*, 98 F. (2d) 42 (C. C. A. 10, 1938);

Hughes Tool Co. v. *United Machine Co.*, 35 F. Supp. 879 (D. C. Tex., 1939);

Hughes Tool Co. v. *Owen, et al.*, 39 F. Supp. 656 (D. C. Texas, 1941); reversed in 123 F. (2d) 950 (C. C. A. 5, 1941);

Hughes Tool Co. v. *Williams*, 82 F. Supp. 408 (D. C. Okla., 1949).

The situation comes to this, that for many years Hughes Tool has been successful in the lower courts in preventing repair of one element of a patented combination, on the alleged ground that such repair is equivalent to infringement of its patents.

Nevertheless it has been the law for 100 years that repair or replacement of one element of a patented combination does not infringe the patent.

Wilson v. *Simpson*, 9 How. 109.

Agreements.

Agreements not to retip bits, exacted by Hughes Tool and brought about by suits and threats of suits for patent infringement and sequestration, appear at R. 154, 159 and 527.

Spengler agreed, on being sued for patent infringement, not to make bits in 12 named states so long as Hughes Tool "carried on a like business in said states" (R. 157, 159).

Conagan, on being sued in replevin (R. 195), was asked to agree (R. 527) not to retip any Hughes Tool bit so long as six listed patents "remain in full force and effect, or so long as any Hughes Tool Company rock bits shall remain the personal property of Hughes Tool Company".

Owen, on being sued for patent infringement, simply agreed not to retip (R. 154).

Bingham was threatened with suit for patent infringement unless he agreed not to retip (DX2, R. 484; 186).

The use of patents and of pretended leases of the patented tool, in a drive to prevent legitimate repair, is, we submit, a manifest misuse of patents. We submit further

that it is the kind of misuse that should deprive the patentee of the aid of a court of equity to restrain infringement, within the principles expounded in *Morton Salt Co.* v. *Suppiger Co.*, 314 U. S. 488, and *B. B. Chemical Co.* v. *Ellis*, 314 U. S. 495.

POINT II.

The patents in suit are invalid. The decision below extends Hughes Tool's forty year monopoly of rotary drilling bits under patents which have not advanced the art and which rely for patentability on subject matter identical with expired Hughes patents.

The situation as to drilling bits for use in drilling oil wells, presented in this case, is a fairly familiar one in our industrial life. A company which holds basic patents and has built up an extensive business on them sees the time approaching when its patents will expire, when the field will be opened to competitive enterprise. It seeks to project its monopoly into the distant future by taking out new patents on trivial changes or on exhausted combinations—and so to overawe the trade and suppress competition by suits for infringement of the new patents.

In his dissenting opinion Judge SIBLEY said (176 F. (2d) 783, at page 792; Vol. I, R. 336):

> "The present Hughes Tool Company, and its predecessors of the same name, have for about forty years enjoyed a virtual monopoly in the west in the manufacture and sale of rotary bits for drilling oil and gas wells, maintained by a series of patents, obtained or bought, on such equipment. Most of the patents have expired and only the last four were involved in this suit."

We submit with confidence that the patents in suit have not advanced the art. Indeed, they represent a retrogres-

sion if Hughes Tool's earlier patents, now expired or not in this suit, had the virtues claimed for them, for which they were given credit in previous suits brought by Hughes Tool. (*Reed, et al.* v. *Hughes Tool Co.*, 282 Fed. 807, C. C. A. 5, 1922; *Reed Roller Bit Co.* v. *Hughes Tool Co.*, 12 F. (2d) 207, C. C. A. 5, 1926; *Hughes Tool Company* v. *International Supply Co.*, 47 F. (2d) 490, C. C. A. 10, 1931; *Hughes Tool Company* v. *Garber Tool Co., et al.*, 16 U. S. P. Q. 97, D. C. Okla., 1932; *Southwestern Tool Co., et al.* v. *Hughes Tool Co.*, 98 F. (2d) 42, C. C. A. 10, 1938; *Chicago Pneumatic Tool Company* v. *Hughes Tool Company*, 97 F. (2d) 945, C. C. A. 10, 1938; *Hughes Tool Co.* v. *United Machine Co.*, 35 Fed. Supp. 879, D. C. Texas, 1939; *Williams Iron Works* v. *Hughes Tool Co.*, 109 F. (2d) 500, C. C. A. 10, 1940; *Hughes Tool Company* v. *Owen, et al.*, 123 F. (2d) 950, C. C. A. 5, 1941, reversing the District Court; *Hughes Tool Co.* v. *Williams*, 82 F. Supp. 408, D. C. Okla., 1949.)

In the cases just cited, the following Hughes patents have been held valid (none has ever been held invalid):

Hughes	930,759, issued in 1909
Godbold, et al.	1,320,384, issued in 1919
Scott	1,480,014 (R. 575), issued in 1924
Scott, et al.	1,647,753 (R. 578), issued in 1927
Fletcher	1,856,627 (Vol. II, R. 321), issued in 1932
Wellensiek, et al.	1,905,079, issued in 1933
Garfield	1,983,283, issued in 1934
Scott, et al.	1,983,316 (Vol. II, R. 324), issued in 1934
Scott	2,011,084 (Vol. II, R. 327), issued in 1935
Garfield, et al.	2,030,442 (Vol. II, R. 330), issued in 1936

despite the fact that in the *Chicago Pneumatic* case the Court of Appeals remarked at 97 F. (2d) 948 that patent 1,647,753, issued in 1927, was "in a well known and crowded art".

We submit that the patents in suits represent re-patenting of old ideas.

Scott & Garfield 1,983,316 is for a three-cone bit with interfitting teeth. It was shown by the defendants that the expired patent to Scott 1,480,014 (also owned by Hughes Tool), disclosing a two-cone bit with interfitting teeth, stated that "two or more" cutters may be used (R. 576, line 83); and the expired Scott patent had been held by the Tenth Circuit (*Williams Iron Works* v. *Hughes Tool Co.*, 109 F. (2d) 500, 502) to disclose, to claim in claims 3 and 4 (R. 577), and to be infringed by a three-cone bit with interfitting teeth.

The next patent, Scott 2,011,084 (R. 328, Vol. II), says at page 1, column 1, line 30, that ball bearings have been previously used in bits, without particular success, and explains at page 2, column 1, beginning at line 11 (R. 329, Vol. II) that he is going to use small balls, as distinguished from the prior art use of large balls. Hughes Tool's earlier patent to Fletcher, et al. 1,918,902 (R. 610) discloses at page 1, line 55, that small balls were old, but that this patent is for large balls. The importance of large balls is stressed at page 2, beginning at line 124 (R. 612) and page 3, line 27 (R. 613). Thus, the use of small balls being admittedly old, Hughes Tool first patented the use of large balls in 1,918,902, and later patented the use of small balls in 2,011,084.

As for the third patent, Garfield & Scott 2,030,442, we submit that Judge SIBLEY was right when he wrote (R. 340, Vol. I):

> "It seems preposterous to me to extend the monopoly of Hughes for several more years on this un-

patentable combination. As to this patent I strongly dissent."

There is strong policy, this Court has indicated, in protecting the public against exploitation of invalid patents.

> "It is as important to the public that competition should not be repressed by worthless patents, as that the patentee of a really valuable invention should be protected in his monopoly * * * ".
>
> *Pope* v. *Gormully*, 144 U. S. 224.

POINT III.

In affirming the judgment of the District Court on the issue of conversion in the absence of a finding of fact that the petitioners had converted, the Court below has so far departed from the accepted and usual course of judicial proceedings as to call for exercise of this Court's power of supervision.

It was palpable error to affirm that part of the judgment of the District Court which adjudged the petitioners guilty of conversion.

There Was No Finding of Fact That the Petitioners Had Converted.

The District Judge made no findings of fact or conclusions of law. His opinion, extremely brief and fragmentary (R. 297-300), was no substitute. No mention of conversion can be found in it. This was not an oversight; the truth is that there was not a shred of evidence in the case to support the charge of conversion, and the Robertson Company was not even charged with conversion in the complaint (R. 5-6).

Nevertheless, the judgment entered by the District Judge adjudged and decreed that "the defendants have converted and threaten to convert rock bits of the plaintiff" (R. 302). And that part of the judgment, barren as it is of support by findings of fact, was affirmed in the Court of Appeals for the Fifth Circuit.

The Violation of Rule 52(a) of the Rules of Civil Procedure is Manifest.

Rule 52(a) provides:

> "In all actions tried upon the facts without a jury or with an advisory jury, the court shall find the facts specially and state separately its conclusions of law thereon and direct entry of the appropriate judgment * * *. If an opinion or memorandum of decision is filed, it will be sufficient if the findings of fact and conclusions of law appear therein. * * *"

This Court has laid stress on the necessity of compliance with this rule on the part of the District Court, and has not hesitated to reverse and remand for failure to follow it.

Interstate Circuit v. *United States,* 304 U. S. 55;

Mayo v. *Lakeland Highland Canning Co.,* 309 U. S. 310.

The departure from the accepted, usual and required course of judicial proceedings is too plain to call for extended discussion.

Conclusion.

Petitioners pray that the petition for writ of certiorari be granted, the case be reviewed and the judgment of the Court of Appeals for the Fifth Circuit be reversed.

Respectfully submitted,

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New York, N. Y.,
December 15, 1949.

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REPLY BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT.

There Is an Issue of Law as to Misuse of Patents.

Respondent insists throughout its brief that the petition presents a conflict only as to facts, but not as to law, with respect to Respondent's misuse of its patents in preventing retipping.

This is not the case and Hughes Tool (Respondent) is at the present time asserting the contrary before the United States Court of Appeals for the Tenth Circuit.

One of the instances of misuse relied upon by Petitioners (Brief, p. 12) is the suit by Hughes Tool against *Williams*, reported at 82 Fed. Supp. 408 (1949), which was a suit against a "retipper" in which the District Court held that on the facts of that case Hughes Tool's patents had not been misused. An appeal has been taken to the United

States Court of Appeals for the Tenth Circuit by Williams, and briefs have been filed by Williams, by Hughes Tool, and by the United States as *amicus curiae,* on that appeal. The appeal has not yet been decided.

In Hughes Tool's brief on that appeal (which was filed three weeks after the present petition was filed) it asserts that "the substance of the charge" of misuse in the *Williams* case is identical with the charge here. This occurs on page 39 of its brief in the *Williams* case where the statement is made with respect to the argument on misuse of patents:

> "Substantially the identical argument was made and rejected in *Robertson Rock Bit Co.* v. *Hughes Tool Co.,* 176 F. (2d) 783 (C. A. 5, 1949). The appellant" (Williams) "suggests that the record in that case must have been quite different from the record here (Appellant's Br., p. 22). Although the witnesses were not identical, the substance of the charge was identical. Appellant also suggests that the *Robertson* case was different since the defendants there made and sold 'what appeared to be an exact copy of the Hughes bit as embodied in the patents sued upon'. This is no distinction whatsoever. The Appellant avowedly rebuilds Appellee's bits to conform as nearly as possible to their original condition."

In the brief of the United States as *amicus curiae* (filed Jan. 6, 1950), on pages 5 and 6 under the title "Issues Involved", the Government said:

> "The District Court's decision on the facts as outlined presents several issues, including the validity of the patents involved, the defense of 'misuse' and others. The Government's primary concern here is with those issues of general public interest that

involve the question whether plaintiff has misused its patents to extend its control over competitive activities beyond the scope of such patents.[2] The specific issues of interest to the Government are:

"(1) Whether plaintiff's adoption of leasing practices which preclude the users of bits from exercising the right to have them retipped, constitutes a misuse of its patent rights which will bar it from suing defendant for infringement. It is the Government's view that plaintiff's practices create such a bar.

"(2) Whether, irrespective of misuse, defendant's acts constituted reconstruction of the article to which the patents relate, as found by the District Court, or merely repair of the article. It is the Government's view that these acts constituted repair and, therefore, that defendant would not be guilty of infringement.

"(3) Whether plaintiff, through the leasing arrangement adopted by it, can preclude the users of bits from having them retipped, with the result that defendant's acts of retipping would constitute an interference with plaintiff's contract rights. It is the Government's view that plaintiff cannot."

Obviously it is the Government's view, as stated in that brief, that an issue of law is raised on the facts of that case, in which Hughes Tool has asserted to the Court of Appeals that "the substance of the charge" is identical with the charge here.

" [2] In addition to the question of patent validity, we have excluded from our consideration such questions as whether under established rules of law, the facts of this case will support either the granting of an injunction or the award of damages against defendant, whether plaintiff's disposal constituted a lease or sale, whether plaintiff's 'lease' permitted retipping by others, etc."

Conversion, Title, and "Leasing".

As to the violation of Rule 52(a) on the issue of conversion, Hughes Tool states on page 2 that

> "The only dispute as to this was with respect to the Respondent's title, * * * "

but on page 10 shifts to the position that

> "The Trial Court found the transactions to be leases (R. 299). This was the contested matter."

Neither of these issues has any bearing on the issue of conversion. The title question raised was Respondent's title to its patents, not to any bits. The lease question raised involved only misuse of patents.

Respectfully submitted,

FLOYD H. CREWS,
Attorney for Petitioners.

ROBERT P. PATTERSON,
DARBY & DARBY,
HARVEY W. MORTIMER,
Of Counsel.

Dated: New York, N. Y.
January 23, 1950.

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IN THE

Supreme Court of the United States

October Term, 1949

No. 486

ROBERTSON ROCK BIT COMPANY, INC.,
INDUSTRIAL MANUFACTURING & TOOL CO.,
and COLIN T. ROBERTSON,

Petitioners,

vs.

HUGHES TOOL COMPANY,

Respondent.

MOTION FOR PERMISSION TO FILE SUPPLEMENTAL BRIEF, AND SUPPLEMENTAL BRIEF, IN SUPPORT OF PETITION FOR REHEARING ON DENIAL OF PETITION FOR WRIT OF CERTIORARI.

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Petitioners respectfully move the Court for permission to file the supplemental brief submitted herewith, which is made necessary by the decision on appeal of the *Williams* case (*Hughes Tool* v. *Williams*, 82 F. Supp. 408, D. C. W. D. Okla., 1949, Judge VAUGHT) by the Tenth Circuit Court of

Appeals on or about March 17, 1950, of which we first heard on March 20, 1950.

Respectfully submitted,

FLOYD H. CREWS,
Attorney for Petitioners.

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HARVEY W. MORTIMER,
Of Counsel.

New York, N. Y.,
March 21, 1950.

IN THE

Supreme Court of the United States

October Term, 1949

No. 486

ROBERTSON ROCK BIT COMPANY, INC.,
INDUSTRIAL MANUFACTURING & TOOL CO.,
and COLIN T. ROBERTSON,
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vs.

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Respondent.

SUPPLEMENTAL BRIEF IN SUPPORT OF PETITION FOR REHEARING ON DENIAL OF PETITION FOR WRIT OF CERTIORARI.

The Williams Case.

In our petition for rehearing we relied upon the *Williams* case (*Hughes Tool* v. *Williams*, 82 F. Supp. 408 (D. C. W. D. Okla., 1949), Judge VAUGHT) discussed on pages 2 and 3, as one which would present a direct conflict with this case in the event the decision of the Tenth Circuit Court of Appeals should be unfavorable to the Hughes Tool Company.

The *Williams* case has now been decided by the Tenth Circuit Court of Appeals unfavorably to Hughes Tool. The Court held that "retipping" is not an infringement of Hughes Tool's patents. This appears from a letter written by Mr. Robert B. Cartwright, Clerk of the Tenth Circuit Court of Appeals, to counsel for both sides in that case, under date of March 17, 1950 as follows:

> "I have today received a letter from Chief Judge Orie L. Phillips, which reads as follows:
>
> > 'You are hereby directed to advise counsel on both sides in No. 3915, C. F. Williams, Jr. vs. Hughes Tool Company, that the Court has reached the conclusion that the patents in suit are valid, but that retipping of the bits constitutes repair and not reconstruction, and therefore, retipping does not constitute infringement of the patents.
> >
> > 'The Court desires reargument upon the following questions and those only, predicated on the assumption that the retipping of the bits does not constitute infringement of the patents:
> >
> > 1. What is the proper construction of the lease contract?
> >
> > 2. What is the legal effect of the lease contract with respect to the right to retip?
> >
> > 3. If the lease contract in terms or in legal effect prevents retipping, is the lease contract valid?'
>
> "The Court has directed me to advise you that supplemental briefs may be filed if desired on the points set forth above, and that the reargument would be set during the week of May 8, 1950, at Oklahoma City, Oklahoma. You will be advised of the exact date of reargument when the printed calendars are mailed to counsel."

The *Williams* case was relied on in our petition for certiorari as an instance of misuse of Hughes Tool's patents (p. 12), while Hughes Tool relied upon the decision of the District Court favorable to it in the same case as proof that its patents were not misused by suing Williams because it had the legal right to stop retipping (Respondent's Brief, p. 7).

The decision by the Tenth Circuit that Williams did not infringe therefore establishes that the Hughes suit for patent infringement against Williams was a use of patents in an attempt to stop retipping, which Williams had a legal right to do. This was therefore an attempt to extend the patents beyond their legitimate scope in direct conflict with the decision below that Hughes had not done so.

There is therefore a direct conflict with the decision below. The Court below held Hughes Tool had not misused its patents by suing retippers (specifically including Williams) for patent infringement (Petition for Certiorari, p. 12).

The Chicago Pneumatic Case.

Under this heading we pointed out in our Petition for Rehearing (p. 3) the measures taken by Hughes Tool to restrict litigation on its patents to the Fifth and Tenth Circuits.

Certiorari was granted in *Muncie Gear Works* v. *Outboard, Marine & Manufacturing Company*, 315 U. S. 759 (1942), because of the concentration of the industry in the Seventh Circuit, despite the fact that the patent in suit had been held valid in both the Sixth and Seventh Circuits.

Respectfully submitted,

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Attorney for Petitioners.

DARBY & DARBY,
HARVEY W. MORTIMER,
Of Counsel.

New York, N. Y., March 21, 1950.

FILED
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CLERK

IN THE

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v.

HUGHES TOOL COMPANY,

Respondent.

BRIEF OF RESPONDENT IN OPPOSITION TO PETITIONERS' APPLICATION FOR WRIT OF CERTIORARI.

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The Scheffer Press, Inc.—FInancial 6-2694

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Respondent.

BRIEF OF RESPONDENT IN OPPOSITION TO PETITIONERS' APPLICATION FOR WRIT OF CERTIORARI.

STATEMENT OF THE CASE.

This is a patent infringement suit. The Petitioners for the writ of certiorari challenge the decree of the Court of Appeals on three grounds,—alleged misuse of patents, alleged invalidity of the patents in suit, and alleged violation of Rule 52(a) of the Rules of Civil Procedure.

There is no conflict of decision as to the validity of the patents in suit or as to the alleged misuse of patents by Respondent. On the contrary, other courts have reached the same conclusions reached by the Court of Appeals in this case. The statements in the petition and brief in support thereof suggesting a dispute of *law* on each of these issues are premised upon Petitioners' assertions of

facts, which assertions are not established in the record and were rejected by both the Trial Court and the Court of Appeals.

The alleged violation of Rule 52(a) of the Rules of Civil Procedure is based upon the alleged failure of the Trial Court to make fact findings as to conversion of Respondent's property by Petitioners. The only dispute as to this was with respect to the Respondent's title, as to which the Trial Court found for Respondent. This was in conformity with Rule 52(a) which requires findings only upon contested matters.

The Petition and Brief in support thereof, call attention to a dissenting opinion by Judge Sibley of the Court of Appeals. It is to be noted that Judge Sibley's dissent relates solely to the two bearing patents in suit (R. 336-340). Judge Sibley specifically concurred with the majority of the Court in finding the Scott and Garfield patent No. 1,983,316 to have made an advance in the art and to be valid (R. 337). Judge Sibley concurred in full with the decision of the majority of the Court on the first and third points raised in the Petition.

POINT I.

The Decision of the Court of Appeals That the Respondent Had Not Misused Its Patents Was Correct and Not in Conflict with Any Applicable Decision of This Court.

The Petitioners urge that the Respondent has misused its patents and prevented the "repair" and "sharpening" of its bits and urge that the decisions of the Trial Court and the Court of Appeals in Respondent's favor on this issue are in conflict with decisions of this Court. The Courts below applied well-established law. Their disagreement with Petitioners' position was not as to any question of *law* but as to the *facts.*

Petitioners (Brief, pp. 8, 10-11) suggest that Respondent markets its bits by sales to supply houses who in turn sell them to drilling contractors. Petitioners state (Brief, p. 10) that "the proof is conclusive that Hughes Tool sells its bits, in the same way that an automobile manufacturer sells automobiles." The proof is to the contrary (R. 59-67, 71, 198-199, 360), and the Trial Court (R. 299) and the Court of Appeals (R. 324) found to the contrary.

Rock bits are used under widely varying drilling conditions. Rocks vary in hardness, in tilt, and abrasiveness (R. 29) and depending upon depth, nature of the rock, and the bit used, a single bit may drill from 1 foot to 3,000 feet (R. 31). Under these conditions, selection of bits for the specific conditions being encountered is of great importance and the distribution of rock bits is not an over-the-counter matter. Further, since there can never be an eye witness to the actual drilling of a bit (which may be one, two or three miles underground), intensive study and research is constantly required.

The Respondent maintains a field organization in the active rotary drilling areas of the country. Respondent's field men deliver new bits directly to the drilling rigs, observe the performance of the bits, keep records of the formations drilled, hours on bottom, depth drilled, etc. (R. 60-62). The worn bits are picked up by the field men and brought back to Respondent's warehouse. The field men examine every worn bit and in any instance in which an abnormal condition is observed, the bit is referred to a District or Division Manager or to a Division Engineer (R. 60-62). When one of these men believes the worn bit should be further examined, it is sent to Respondent's plant at Houston (R. 60, 62). The percentage sent to the laboratory at Houston varies from time to time from 2 or 3% to 12½ or 15% or higher (R. 146-7). Each bit

bears a serial number by which it is identified when originally delivered to the drilling rig and by which it can be identified when returned to Houston (R. 63). Worn bits, sent to the laboratory in Houston, are accompanied by a report from a field man showing the performance of that particular bit (R. 60). At the laboratory the bit is examined and referred to appropriate personnel—for example, the Metallurgical Department and the shop (R. 62-3).

The Respondent's field representatives constantly keep in touch with drilling conditions and the performance of Respondent's bits. They endeavor to secure as to each bit information as to how many feet of hole were drilled, how many hours were required, kind of formation drilled, the weight carried on the bit, and all important factors required to evaluate performance (R. 63). This information, together with observation of the worn bits, and in instances laboratory examination of worn bits, is of great value in Respondent's efforts to constantly improve its products and is of direct value to drilling contractors to whom the information is made available (R. 63-64). Not only does this information, including that secured from examination of worn bits, help in correcting any deficiency, but it also serves Respondent as an historical record of what specific bits have done in different formations. Thus an accurate standard of comparison exists upon the basis of which any new bit can be evaluated (R. 64).

In order that Respondent's distribution practice function effectively as an essential part of Respondent's efforts to maintain and develop the quality of its products and provide service to its customers, it is necessary that Respondent have unquestioned right to its used bits. Accordingly each bit is marked on the body of the bit itself as the property of the Respondent (R. 71). The bits are

not sold; they are leased. Each is delivered with a delivery report signed by the driller or his representative. The delivery report (R. 360) bears the legend:

> "Hughes Roller Rock Bits and all Core Bit Heads are never sold but are leased. When the original cutter teeth and/or bearing have served their useful life, the user will surrender the bits to Hughes Tool Company upon request. In accepting delivery, the user agrees not to surrender any of the tools as mentioned above to other than a duly authorized representative of the Hughes Tool Company."

The Petitioners apparently have no field organization comparable to Respondent's, but Petitioners, like other rock bit manufacturers (R. 182), employ a similar lease agreement which reads (R. 176):

> "Roller rock bits, and all cone bit items are never sold but leased. When original cutter teeth and all bearings have served their usable life, the user will surrender the bits to Robertson Rock Bit Company, Inc. upon request. When accepting delivery, the user agrees not to surrender any Robertson Rock Bit Company, Inc. bit, or bit material, to other than an authorized representative of the Robertson Rock Bit Company."

Petitioners state (Brief, p. 10) that the Respondent requires the return to it of used bits "in order to prevent the driller from sharpening the teeth by welding new tips on them, the way all heavy tools are sharpened (R. 181-182)". The record does not support this save for assertions contained in the Petitioners' statement. The record shows the reasons for and advantages to the industry resulting from Respondent's research policy as pointed out above.

Petitioners make a similar assertion (Brief, p. 7) that the Respondent's lease was adopted in order to stop rebuilding of its bits. This is likewise not the fact and the assertion is not supported in the record.

Petitioners (Brief, p. 7) state that after bits have been used, it is "practical" to have metal added to the teeth and then make use of the bits to depths of 2,000 feet. This categorical statement is not supported in the record. The inference from Petitioners' statement is that in all, or at least most, cases, this is "practical". The record shows the contrary. Although Petitioner Robertson testified that it was "practical" to use rebuilt bits to a depth of 2,000 feet, he subsequently qualified this by pointing out that the bearings should not be so loose as to be "dangerous" (R. 169); that all portions of the bit, including the bearings wear with use (R. 179); and that in his experience only 3 or 4 bits out of 20 can be retipped (R. 184-185). He further testified that there is no question that running a rebuilt bit increases the risk of "getting into trouble". (R. 183).

From the foregoing it will be apparent that the unanimous decision of the Court of Appeals and the decision of the Trial Court, that Respondent's marketing method is reasonable and fair, is based upon the convincingly proved facts found by those Courts and that there is no conflict between the concurring decisions below and the decisions of this Court in *Straus* v. *Victor Talking Machine Co.*, 243 U. S. 490, 61 L. Ed. 866 (1917); *United States* v. *Masonite Corp.*, 316 U. S. 265, 86 L. Ed. 1461 (1942); *Morton Salt Co.* v. *G. S. Suppiger Co.*, 314 U. S. 488, 86 L. Ed. 363 (1942) and *B. B. Chemical Co.* v. *Ellis*, 314 U. S. 495, 86 L. Ed. 367 (1942), referred to by Petitioners (p. 11, 14).

Petitioners urge (pp. 10-12) that Respondent has been guilty of misconduct by bringing sequestration or replevin suits. This is alleged to be unclean hands on the basis of Petitioner's assertion that "the proof is conclusive" that Respondent sells and that the lease is a mere pretense. The proof is to the contrary and Petitioners' disagreement

with the Courts below is not as to any legal principle but as to the "proof". The concurring findings of the Courts below that Respondent leases and does not sell, and that the lease is not a mere pretense is amply proved in the record (R. 59-65, 71, 360) and is confirmed by other decisions to the same effect. *Hughes Tool Company* v. *United Machine Company,* 35 F. Supp. 879 (D.C. N.D. Texas, 1939); *Hughes Tool Company* v. *Owen,* 123 F. (2d) 950 (C.C.A. 5, 1941); *Hughes Tool Company* v. *C. F. Williams, Jr.,* 82 F. Supp. 408 (D. C. Okla., 1949).

The Petitioners charge (pp. 12-13) that Respondent has misused its patents by charging that the "repair" of its bits constitutes infringing reconstruction. This is said to have been an erroneous contention in view of *Wilson* v. *Simpson,* 9 How. (50 U.S.) 109, 13 L. Ed. 66 (1850). In each of the cases to which Petitioners refer (p. 12) the Respondent's position and the Court's decision were not at variance with *Wilson* v. *Simpson,* which involved repeated replacement in accordance with the obvious intention of the vendor of cutter elements secured by bolts or screws to a cylinder or disc in a planing machine. The majority of rock bits can be used only once (R. 184), and in the minority of instances in which a bit can be rebuilt, it must be used cautiously and only near the surface of the ground (R. 181). Thus Petitioners' disagreement with Court decisions in other cases is not as to the legal principles involved, but as to the facts which those Courts found contrary to Petitioners' position.

The "agreements" referred to by Petitioners (p. 13) were either settlements or efforts to settle pending litigation. Settlements of controversies are favored and not condemned by public policy. *Standard Oil Co.* v. *United States,* 283 U. S. 163, 170, 171, 75 L. Ed. 926 (1931); *Birbalas* v. *Cuneo Printing Industries,* 140 F. (2d) 826

(C.C.A. 7, 1944). The Spengler agreement, to which Petitioners refer (p. 13) involved purchase by Respondent in 1932, prior to the issuance of any of the patents here in suit, of materials on hand and the business of Spengler (R. 159). It is in no way relevant.

Petitioners' point on misuse is summarized (p. 13) as follows:

> "The use of patents and of pretended leases of the patented tool, in a drive to prevent legitimate repair, is, we submit, a manifest misuse of patents."

The courts below disagreed with the factual assertions in this argument. The courts below concurred in finding that the leases were real and legitimate and, in other cases where the matter was directly involved for adjudication, the rebuilding of Respondent's bits was held not to be "legitimate repair" but patent infringement. Thus the dispute sought to be raised by Petitioners is not a dispute as to any legal principle but is a factual dispute as to which the concurring decisions of the courts in this case and of courts in other cases have been contrary to Petitioners' contention.

POINT II.

The Court of Appeals and the District Court Properly Held the Patents in Suit to Be Valid.

The Petitioners raise no important legal questions with respect to the validity of the patents in suit. There is no conflict of decision with respect to them. The Scott and Garfield patent No. 1,983,316 has been sustained by the District Court and the unanimous decision of the Court of Appeals in the present case and also in *Hughes Tool Company* v. *Williams,* 82 F. Supp. 408 (D. C. Okla., 1949). The Garfield and Scott patent No. 2,030,442 was sustained

in the present case by the District Court and by the majority of the Court of Appeals, and also in *Williams Iron Works* v. *Hughes Tool,* 109 F. (2d) 500 (C.C.A. 10, 1940) and *Hughes Tool Company* v. *United Machine Co.,* 35 F. Supp. 879 (D.C. Texas, 1939).

The Petitioners' argument for invalidity (pp. 14-16) is based on the postulate that the patents in suit are on "trivial changes" and "old ideas". The District Court (R. 299) and the Court of Appeals (R. 330-332) both found against Petitioners on the facts. Both courts found, as other courts have found, that the patents in suit disclosed new structures which contributed materially to the drilling industry. The record abundantly supports the findings (R. 27-31, 39-45, 47-53, 54, 56, 93, 117, 119-142).

The validity of the patents in suit was properly found by both courts below. The legal principles involved are well established and not in dispute. Petitioners err on the facts.

POINT III.

The Courts below Did Not Depart from the Accepted and Usual Course of Judicial Proceedings and Complied with Federal Rule of Civil Procedure No. 52(a).

Petitioners urge (pp. 17-18) that there was not an ample finding to support the injunction against further conversion by the defendants. Rule 52(a) specifically authorizes incorporation of findings in an opinion or memorandum of decision. The notes of the Advisory Committee on Rules of Civil Procedure point out that:

> " * * * the judge need only make brief, definite, pertinent findings and conclusions upon the contested matters".

There was no issue as to the acts of the Petitioners. Robertson, who controlled both corporations, admitted taking

possession of and using bits of Respondent's manufacture (R. 145, 173) which were marked as Respondent's property (R. 71). But Petitioners asserted that Respondent sold, and did not lease, its bits. The Trial Court found the transactions to be leases (R. 299). This was the contested matter.

CONCLUSION.

Respondent submits that no occasion exists for granting the application for certiorari. No conflict of decision, either as to the specific subject matter or as to the pronouncement or application of the rules of law, and no unusual or new questions of law are presented. The Petitioners assert errors of law only by assertions of fact not supported in the record and contrary to the concurring findings of the Courts below.

Respectfully submitted,

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IN THE

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BRIEF OF RESPONDENT IN OPPOSITION TO PETITION FOR REHEARING ON DENIAL OF PETITION FOR WRIT OF CERTIORARI.

The Petition for Rehearing should be denied. It does not meet the requirements of Rule 33 of this Court, either as to timeliness of filing, or as to grounds for rehearing.

The petition for certiorari was denied on February 6, 1950. Petitioners had fifteen (15) days from this date within which to file their petition for rehearing "accompanied by proof of service". While the petition for rehearing was apparently filed sometime within the fifteen-day period, no notice reached counsel for Respondent until March 6, when copies of the petition for rehearing were received.

The petition for rehearing seeks to come within the provisions of Rule 33 permitting rehearing where, since denial

of a petition for certiorari, there have been "intervening circumstances of substantial or controlling effect". Two "intervening circumstances" are relied upon. The first is that the appeal in *Hughes Tool Company* v. *Williams*, 82 F. Supp. 408, has been argued in the Court of Appeals for the Tenth Circuit. The oral argument in that case is not such an "intervening circumstance" as is contemplated by Rule 33, and it is of no "substantial or controlling effect". Petitioners' speculations as to possibility of conflict of decision are in no sense based upon the alleged intervening circumstance, *i.e.*, the oral argument in the Tenth Circuit case. The same speculations were available on the original petition for certiorari.

The second alleged "intervening circumstance" is the decision of the Court of Appeals for the Tenth Circuit in *Chicago Pneumatic Tool Company* v. *Hughes Tool Company*. That decision (Appendix to Petition, pages 6-14) involved no issues here involved, but concerned the right of a court, having jurisdiction of the parties and the subject matter of a case, to enjoin the prosecution of a declaratory judgment action raising the same issues between the same parties, and filed after the first case was at issue and set for trial.

It is submitted that the Petition for Rehearing should be denied. It presents no substantial or controlling intervening circumstance and it was not properly filed within the time allowed by Rule 33.

Respectfully submitted,

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APR 3 1950
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SUPPLEMENTAL BRIEF OF RESPONDENT IN OPPOSITION TO MOTION AND SUPPLEMENTAL BRIEF OF PETITIONERS.

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Supreme Court of the United States

OCTOBER TERM, 1949.

No. 486

ROBERTSON ROCK BIT COMPANY, INC., INDUSTRIAL MANUFACTURING & TOOL CO., and COLIN T. ROBERTSON,

Petitioners,

v.

HUGHES TOOL COMPANY,

Respondent.

SUPPLEMENTAL BRIEF OF RESPONDENT IN OPPOSITION TO MOTION AND SUPPLEMENTAL BRIEF OF PETITIONERS.

The Supplemental Brief of the Petitioners urges that the Court of Appeals for the Tenth Circuit in *C. F. Williams, Jr.* v. *Hughes Tool Company,* Case No. 3915, has entered a decision "in direct conflict with the decision below". In this, Petitioners err.

The Court of Appeals for the Tenth Circuit has not decided the *C. F. Williams, Jr.* case, and presumably will not decide it until after the reargument now set for May 11, 1950. There can be no conflict of decision until there is a "decision".

Further, if the letter of the Clerk of the Court of Appeals for the Tenth Circuit be considered as a decision of that Court that C. F. Williams, Jr. had not infringed cer-

tain patents of the Hughes Tool Company by retipping dull teeth of Respondent's bits, there would still be no conflict of decision with the instant case. The Petitioners' argument purporting to find a conflict (Supplemental Brief, p. 5) is based upon the spurious logic that a patent owner bringing suit for infringement and losing on the ground of non-infringement thereby has attempted "to extend the patents beyond their legitimate scope" and is therefore guilty of misuse of such patents.

The fallacy in the Petitioners' argument is apparent from the mere statement of it. One does not misuse a patent by suing in good faith to enforce it. Neither does a holding of non-infringement of valid patents carry the implication of a misuse of such patents.

Petitioners suggest that the Court below found there had been no misuse on the ground that rebuilding of teeth constituted patent infringement. This was not the basis of decision. What the Court held was that a person making *a bona fide* claim for violation of patent rights, was not misusing his patents. The Court of Appeals for the Tenth Circuit did not hold to the contrary. Indeed, had it held to the contrary, it would have, upon finding non-infringement, dismissed the bill for misuse of patents. Rather than doing this, the Court has asked for reargument upon additional questions in the case, premised upon its conclusion that the patents, though valid, were not infringed by Williams' acts of retipping or rebuilding because such retipping constituted repair and not reconstruction.

CONCLUSION.

It is submitted that there is no conflict of decision; that the original Petition for Certiorari was properly denied; that there have been no intervening circumstances of controlling effect; and that the Petition for Rehearing should be denied.

Respectfully submitted,

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PETITION FOR REHEARING ON DENIAL OF PETITION FOR WRIT OF CERTIORARI.

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PETITION FOR REHEARING ON DENIAL OF PETITION FOR WRIT OF CERTIORARI.

Since the petition for certiorari was filed in this case, the appeal from the decision of the District Court in the case of *Hughes Tool* v. *Williams,* 82 F. Supp. 408 (D. C. W. D. Okla., 1949, Judge VAUGHT), has been argued in the Tenth Circuit of Appeals, and the case of *Chicago Pneumatic Tool Co.* v. *Hughes Tool Co.* has been argued in and decided by the same Court (see Appendix). The first was a suit for infringement of Fletcher 1,856,627 and Scott and Garfield 1,983,316 (two of the patents involved in this case, Fletcher being withdrawn on the appeal) brought against a "retipper". The defendant in that case set up the same defenses of misuse of patents that are here asserted.

The *Willams* Case.

Before the Tenth Circuit Court of Appeals in the *Williams* case, the United States as *amicus curiae,* on January 6, 1950 filed a brief in support of the defense of misuse of patents. That was referred to in our reply brief in support of the present petition.

The *Williams* case has not yet been decided by the Tenth Circuit Court of Appeals, but was argued before that Court on January 6, 1950. The only other case argued before that Court on the same day was decided on February 1, 1950, so a decision in the *Williams* case should be handed down very shortly.

If the *Williams* case should be won by Hughes Tool a petition for certiorari will presumably be filed, which will presumably be supported by the United States, to be consistent with its position in the Court of Appeals. Such petition should be granted for all the reasons urged in support of this petition, plus the obvious public importance indicated by the fact that it is supported by the United States. If such a petition should be presented to this Court and granted, it would be helpful to the Court to have the present case before it as well, in order to have the benefit of two records, one from Oklahoma and one from Texas, thereby presenting a broader picture of Hughes Tool's widespread activities in alleged misuse of its patents.

If Hughes Tool should lose the case in the Tenth Circuit presumably it will petition for certiorari. Such a decision against Hughes Tool would present a direct conflict with the decision of the Fifth Circuit in the present case.

It therefore appears that whichever way the *Williams* case is decided, it will present a most persuasive case for the granting of certiorari. The present record would be helpful in deciding such a case.

In the present case an injunction has been ordered and has not been stayed, no damages were assessed, and no accounting ordered, so holding the present case in abeyance for a matter of weeks or even months will not change its status in any respect whatever.

In the case of *Sanitary Refrigerator Co.* v. *Winter*, 280 U. S. 30, footnote 1, which is referred to in Rule 33 of this Court, a writ of certiorari was granted on rehearing on a conflict between circuits arising from a decision in another case in another circuit after the petition for certiorari had been once denied. That situation may arise in this case any day, depending upon the decision of the Tenth Circuit in the *Williams* case, and when it is entered.

It is therefore requested that the petition for certiorari in this case be reconsidered if and when a petition for certiorari in the *Williams* case should be filed.

The *Chicago Pneumatic* Case.

Hughes Tool is determined to restrict litigation on its patents to the Fifth and Tenth Circuits, the circuits in which it has been uniformly successful for twenty-eight years (Brief Supporting Petition, p. 15) and the only circuits in which it has brought suits.

On February 1, 1950 after our reply brief in support of this petition for certiorari was filed, the Tenth Circuit Court of Appeals decided the case of *Chicago Pneumatic Tool Company*, appellant v. *Hughes Tool Company*, appellee, Appeal Nos. 3919 and 3947. That case has not yet been published in the reports. A copy of the opinion is therefore reproduced in the appendix hereto.

In that case Chicago Pneumatic filed a declaratory judgment suit against Hughes Tool in Delaware in 1944. Hughes Tool got that suit dismissed on the assertion that there was

no controversy (61 F. Supp. 767). That dismissal was affirmed by the Third Circuit Court of Appeals on August 26, 1946 (156 F. (2d) 981), and certiorari denied by this Court November 18, 1946 (329 U. S. 781).

In 1947, promptly after the term of this Court had expired, Hughes Tool sued Chicago Pneumatic in Oklahoma on four of the patents which had been specifically named in the declaratory judgment suit. The Trial Court denied a motion by Chicago Pneumatic to transfer the case to Delaware.

Thereupon, Chicago Pneumatic filed a second declaratory judgment suit in Delaware. The District Court (Judge VAUGHT) then granted an injunction restraining Chicago Pneumatic from prosecuting that second suit, which judgment was affirmed by the Tenth Circuit Court of Appeals on February 1, 1950 in Appeal Nos. 3919 and 3947 (see Appendix).

In the *Chicago Pneumatic* case, as in the *Williams* case, Hughes Tool is asserting validity of Fletcher patent No. 1,856,627, which patent has been previously held valid by the Tenth Circuit Court of Appeals. *Williams Iron Works* v. *Hughes Tool Company*, 109 F. (2d) 500 (C. C. A. 10, 1940). This is the patent which Hughes Tool withdrew from the present case on the appeal because it had expired while the appeal was pending (R. 336, Vol. 1). Thus, Hughes Tool refused to risk diversity of opinion on this patent in the Fifth Circuit Court of Appeals, but continues to prosecute it in the Tenth Circuit. In addition to the *Chicago Pneumatic* and *Williams* cases, the following four cases for infringement of this same Fletcher patent were all filed on May 3, 1949, the day the patent expired, and are now awaiting trial:

Hughes Tool Co. v. *D. B. Cole*, C. A. 4370 W. D. Okla., 623 O. G. 321;

Hughes Tool Co. v. *B. F. Conaghan,* C. A. 4374 W. D. Okla., 623 O. G. 321;

Hughes Tool Co. v. *R. W. Ford,* C. A. 2537 E. D. Okla., 623 O. G. 321;

Hughes Tool Co. v. *B. F. Shedd,* C. A. 2538 E. D. Okla., 623 O. G. 321.

Conclusion.

It is accordingly prayed that our petition for writ of certiorari be granted at this time, or that decision on such writ be withheld at this time and granted at the time of the decision of a petition for writ of certiorari to the Tenth Circuit Court of Appeals in the case of *C. F. Williams* v. *Hughes Tool Company.*

Certificate of Counsel.

This petition for rehearing is presented in good faith and not for delay, and is restricted to the grounds specified in Rule 33 of this Court.

Respectfully submitted,

FLOYD H. CREWS,
Attorney for Petitioners.

DARBY & DARBY,
HARVEY W. MORTIMER,
Of Counsel.

New York, N. Y.,
February 20, 1950.

APPENDIX

UNITED STATES COURT OF APPEALS

TENTH CIRCUIT

Nos. 3919, 3947—NOVEMBER TERM, 1949

Chicago Pneumatic Tool Company, Appellant,
3919 vs.
Hughes Tool Company, Appellee.

Chicago Pneumatic Tool Company, Appellant,
3947 vs.
Hughes Tool Company, Appellee.

Appeals from the United States District Court for the Western District of Oklahoma.

[February 1, 1950]

Floyd H. Crews (Darby & Darby, Harvey W. Mortimer, Raymond G. Mullee, Bruce McClelland were with him on the brief) for appellants.

George I. Haight (Robert F. Campbell, Edward A. Haight, Lynn Adams were with him on the brief) for appellees.

Before PHILLIPS, Chief Judge, and HUXMAN and MURRAH, Circuit Judges.

PHILLIPS, Chief Judge.

Appendix

On July 19, 1947, Hughes Tool Company,[1] a Delaware corporation, commenced this action against Chicago Pneumatic Tool Company,[2] a Massachusetts corporation, for alleged infringement of four patents.[3]

Pneumatic (Mass.) filed an answer in which it set up in addition to other defenses, unclean hands and estoppel by laches, predicated on a motion to dismiss a declaratory judgment suit,[4] commenced August 24, 1944, by Pneumatic (Mass.) and Chicago Pneumatic Tool Corporation,[5] a New Jersey corporation, against Hughes in the District Court of the United States for the District of Delaware, and briefs filed by Hughes in support of such motion. Pneumatic (Mass.) also by a counterclaim, charged infringement by Hughes of six patents issued to Pneumatic (N. J.) and alleged thereafter to have been assigned to Pneumatic (Mass.).

On April 28, 1949, while the instant action was pending, Pneumatic (Mass.) commenced an action for a declaratory judgment against Hughes in the District Court of the United States for the District of Delaware, asking an ad-

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[1] Hereinafter called Hughes.

[2] Hereinafter called Pneumatic (Mass.).

[3] The complaint charged infringement of claims 1, 2 and 3 of Patent No. 1,856,627, May 3, 1932; claims 1, 2 and 3 of Patent No. 1,983,316, December 4, 1934; claims 1, 2 and 3 of Patent No. 2,011,084, August 13, 1935, and claims 4, 6, 8, 12, 13, 14 and 15 of Patent No. 2,030,442, February 11, 1936. The patents were issued to Hughes Tool Company, a Texas corporation, and were thereafter assigned to Hughes Tool Company, a Delaware corporation, appellee in the instant case.

[4] Hereinafter referred to as the 1944 Delaware case.

[5] Chicago Pneumatic Tool Company, the New Jersey corporation, is the parent corporation of Pneumatic (Mass.). The former will hereinafter be referred to as Pneumatic (N. J.).

judication that Pneumatic (Mass.) had not infringed by the sale or lease of its Type G, K or E rotary bits, used in drilling for oil and gas, any unexpired patent or patents owned or controlled by Hughes, and, specifically, patents numbered 1,856,627; 1,983,316; 2,011,084 and 2,030,442, and adjudging that none of the claims in any of such numbered patents is valid if given a construction sufficiently broad to bring within them any of such Type G, K or E bits.

On May 6, 1949, the trial court entered an order in the instant action enjoining Pneumatic (Mass.) from prosecuting such declaratory judgment suit, "or any other action involving the same subject matter," until the final determination of the instant action. Pneumatic (Mass.) has appealed from such injunctive order and an order refusing to eliminate therefrom the language above quoted.

The instant action has now been tried and submitted on oral argument and written briefs.

Since 1934, Pneumatic (N. J.) has made and Pneumatic (Mass.) has marketed rock bits of the three-cone type. The first was known as Type G. Later, Type K was put on the market and the manufacture of Type G was discontinued. Later, Type E was put on the market and the manufacture of Type K was discontinued. In 1933, Hughes commenced a suit against Pneumatic (Mass.) for alleged infringement of Patent No. 1,647,753, issued November 1, 1927, known as the Scott and Wellensiek Patent. That suit resulted in a decree on July 27, 1937, adjudging validity and infringement and ordering an accounting. That decree was affirmed by this court July 1, 1938.[6]

[6] See Chicago Pneumatic Tool Co. v. Hughes Tool Co., 97 F. 2d 945.

Appendix

The complaint in the 1944 Delaware case, which was commenced while the accounting above-mentioned was pending, contained three counts. The first count charged a violation of the anti-trust laws and prayed for an injunction restraining Hughes from claiming any benefit under the 1937 decree. The second count charged that the accounting proceeding was still pending and prayed for an injunction restraining Hughes from proceeding further in the accounting suit. The third count alleged that Hughes then owned and held a large number of unexpired patents relating to rotary drills, all late comers in a crowded art, among which were:

1,647,753	Scott and Wellensiek	Nov. 1, 1927
1,856,627	Fletcher	May 3, 1932
1,905,079	Wellensiek and Smith	Apr. 25, 1933
1,918,902	Fletcher and Kuldell	July 18, 1933
1,983,283	Garfield	Dec. 4, 1934
1,983,316	Scott and Garfield	Dec. 4, 1934
1,993,286	Scott	Mar. 5, 1935
2,011,084	Scott	Aug. 13, 1935
2,030,442	Garfield and Scott	Feb. 11, 1936
2,038,387	Scott	Apr. 21, 1936
2,294,544	Garfield	Sept. 1, 1942

that in April, 1935, Hughes notified Pneumatic (N. J.) and Pneumatic (Mass.) that they were infringing Patent No. 1,983,316 and Patent No. 1,983,283; that in January, 1939, Hughes notified Pneumatic (N. J.) and Pneumatic (Mass.) that they were infringing Patents 1,983,316 and 1,856,627, and that in the latter part of 1942, an omnibus charge was

made by Hughes that Pneumatic (Mass.) was infringing its patents additional to Patent No. 1,647,753; that Pneumatic (N. J.) made, and it and Pneumatic (Mass.) sold, a three-cone type bit, known as Type G, from 1934 to July, 1938; a three-cone type bit, known as Type K, from July, 1938 to the latter part of 1942, and from the latter part of 1942, a three-cone type bit, known as Type E; that the sales of Type E since 1942 were made to the United States, except a few sets which were sold in the early part of 1942 to private purchasers. They prayed for a declaratory judgment adjudging that none of the bits G, K and E infringed any patent owned or controlled by Hughes and, specifically, any of the enumerated patents, and adjudging that none of such patents were valid if given a construction sufficiently broad to bring bits G, K and E within the claims thereof.

Hughes interposed motions to dismiss the three counts. The trial court sustained the motions and entered its judgment dismissing the action. Pneumatic (N. J.) and Pneumatic (Mass.) appealed from the judgment in so far as it dismissed count three. The judgment was affirmed by the Court of Appeals for the Third Circuit on the opinion of the trial court.[7] The trial court held in the 1944 Delaware case that count three failed to alleged an actual present controversy. It held that under the allegations of the complaint, Pneumatic (N. J.) and Pneumatic (Mass.) had not made Type G and Type K bits since 1942, and that relief with

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[7] See Chicago Pneumatic Tool Co. v. Hughes Tool Co., 61 F. Supp. 767, and Chicago Pneumatic Tool Co. v. Hughes Tool Co., 3 Cir., 156 F. 2d 981.

respect to Type E bits could only be had against the United States in the Court of Claims by virtue of 35 U. S. C. A. §§ 68, 94. It further held that the 1942 notice was not a charge of infringement, but was merely "an incident" in the Tenth Circuit proceedings, contained in a letter of Hughes to Counsel for Pneumatic (Mass.) looking toward a settlement.

It is patent from the opinion of Judge Leahy in the 1944 Delaware case, that he dismissed count three upon the allegations thereof and not upon extraneous facts.

In its brief in the 1944 Delaware case, Hughes said:

> "In order to make the alleged fear seem more real plaintiffs allege it as coming from three sources. First, plaintiffs say that six and ten years ago defendant alleged infringement of three patents by structures long since discontinued and that the charge might be made now. This, at the very most shows that there was once a controversy which, but for plaintiff's present attempted resurrection, would have remained dead and buried. It is still dead, apparently having died with discontinuance of plaintiff's manufacture and sale.
>
> "As to the three patents as to which notices of infringement were sent, the structures which evoked the notices have been discontinued. As to any other patents, plaintiffs are clearly trying to use a procedure enacted to clarify controversies to create controversies."

Appendix

After the instant suit was instituted, Pneumatic (Mass.) filed interrogatories. Interrogatories 3 and 4 with the answers thereto are set out in marginal note.[8]

At the time Hughes filed its brief in the 1944 Delaware case, Pneumatic (N. J.) and Pneumatic (Mass.), under the allegations of the complaint, had ceased to make bits Types G and K in 1942 and one infringement notice was six years old and one was ten years old. The substance of the statement in the Hughes brief was that there was no existing controversy because Pneumatic (N. J.) and Pneumatic (Mass.) had ceased to make and sell the bits G and K and one infringement notice was six years old and one was ten years old. It was not a renunciation as to future infringement and was not a statement that a controversy would not

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[8] "3. As to each of the defendant's drill bits, (a) Type G, three-cone bit; (b) Type K three-cone bit; (c) Type E three-cone bit; (d) Type C-1 reaming bit; and (e) Type B reamer, state whether or not it is covered, or is intended to be, by the infringement charge of paragraph VII of the Complaint.

"4. As to each type of bit identified in paragraph 3 hereof which plaintiff asserts to be infringing, within the purview of paragraph VII of the Complaint, identify each and every patent, or patents, which is, or are, asserted by plaintiff to be infringed by the selling thereof."

"Interrogatory No. 3: Defendant's drill bits Types G and K are not charged to infringe insofar as patent No. 1,983,316 is concerned. The plaintiff is without knowledge as to whether bits of either of these types have been so constructed as to infringe either patent No. 2,011,084 or 2,030,442. Defendant's Type E three-cone bits are charged to infringe. Defendant's Types G and K three-cone bits are charged to infringe Patent No. 1,856,627. Defendant's Type C-1 reaming bit and Type B reamer are not covered or intended to be covered by the charge of infringement.

"Interrogatory No. 4: Each of the patents in suit is infringed by the selling of defendant's Type E bits. Plaintiff is not informed as to whether defendant's Types G and K bits have been so constructed as to infringe patents Nos. 2,011,084 or 2,030,442."

arise if manufacture and sale of bits G and K should thereafter be resumed.

The answers to the interrogatories were to protect Hughes in the event there had been a resumption of the manufacture and sale of bits G and K. At the trial of the instant case, Hughes, having learned that the manufacture and sale of bits G and K had not been resumed, offered no evidence with respect to such bits and asserted no claim with respect to infringement thereof in 1944, or prior thereto, and it sought relief only with respect to Type E bits.

In its brief in the Court of Appeals for the Third Circuit, filed in 1946, Hughes stated:

> "In considering whether, in its discretion, the court should hear this case on the merits, the court may consider the fact that there is no existing controversy as to any present device. The Court may properly in its discretion, decline to act where the issues are dead (Borchard on Declaratory Judgments, Second Edition, p. 86). Petitioner's allegations upon which reliance is based to show controversy, are plainly strainings for excuses for bringing a lawsuit and not sound reasons for action. Petitioners are not now engaged in activity which is accruing potential damages such as can be adjudicated in the Court. If there is ever to be an adjudication as to the alleged sales to the government, it must be in the Court of Claims, U. S. Code, Title 35, Sections 68, 94."

Hughes knew at the time it filed such brief that Pneumatic (N. J.) and Pneumatic (Mass.) were then selling Type E bits to private purchasers, but no supplemental complaint had been filed and while Hughes' statements were in the present tense, there could be no doubt they were directed to the situation, as disclosed by the allegations in

count three, existing at the time the motion to dismiss count three was heard and disposed of in the United States District Court for the District of Delaware. The last sentence of the quoted portion of such brief shows clearly that the argument was predicated on the proposition that, since sales of Type E bits, at the time the motion to dismiss was heard and disposed of, were being made only to the United States, the sole remedy of Hughes was a suit against the United States in the Court of Claims.

We find nothing in the record to support a charge of deception or misrepresentation. There may have been a renunciation as to infringements prior to 1944 of bits G and K, but since, in the instant suit, no charge of infringement of those bits is any longer involved, that issue is nonexistent.

A Federal District Court which first obtains jurisdiction of parties and issues may preserve its jurisdiction by enjoining proceedings involving the same issues and parties, begun thereafter in another Federal District Court.[9]

With respect to the provision in the decree, "or any other action involving the same subject matter," we think that clearly means any other suit involving the same parties and issues as those involved in the instant case and we regard such restraint not improper.

Affirmed.

A true copy.

Attest:

Clerk U. S. Court of Appeals, Tenth Circuit.

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[9] Crosley Corporation v. Hazeltine Corporation, 3 Cir., 122 F. 2d 925.
Crosley Corporation v. Westinghouse Elec. & Mfg. Co., 3 Cir., 130 F. 2d 474.
F. X. Hooper Co. v. Samuel M. Langston Co., D. C. N. J., 56 F. Supp. 577-584 and cases there cited.